COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Investigation by the Department	:	DTE No. 02-38
on its own Motion	:	
into Distributed Generation	:	

COMMENTS OF UNITED TECHNOLOGIES CORPORATION REGARDING THE REPORT OF THE MASSACHUSETTS DISTRIBUTED GENERATION COLLABORATIVE AND MODEL INTERCONNECTION TARIFF

UTC Power is a division of United Technologies Corporation (UTC). UTC Power, which includes UTC Fuel Cells, is a world leader in fuel cell production and development for commercial, transportation, residential and space applications. UTC Fuel Cells has delivered more than 255 PC25 systems (200 kW) in 19 countries on five continents, including more than 120 PC25 power plants in 26 states. Thus, UTC's responses reflect experience deploying distributed generation units worldwide. UTC's other business units include Carrier, Pratt and Whitney, Sikorsky, Otis and Hamilton Sundstrand.

UTC appreciated the opportunity to participate in the Massachusetts Distributed Generation Collaborative and was active in all aspects of the discussions and negotiations resulting in the Final Report filed on March 3, 2003 and the Model Tariff submitted on May 16, 2003. UTC further appreciates the opportunity to comment on both documents, and particularly on the areas in which the stakeholders did not reach consensus.

The comments below are restricted to the issues identified in the cover letter to the Tariff, and assume the DTE will direct the Collaborative to continue to improve the DG interconnection process over the next two years, as promulgated in the Final Report (Section 6). While the Collaborative made significant progress and the filed Tariff comprises, in our view, the best features for interconnecting of any jurisdiction to date, there remains room for improvement in minimizing interconnection transaction uncertainties, costs and timeframes and facilitating the deployment of distributed generation technologies. Among other areas, the Collaborative should develop standards for interconnecting larger projects with spot networks and interconnecting any size DG into grid networks.

Issue I.

Timelines: The Collaborative notes that the Report's timelines were not finally settled and included a dissent.

COMMENT: The timelines at issue pertain to the time allowed to the utilities to respond to an interconnection application and to perform studies deemed necessary, depending on the classification of the application. UTC believes the timelines agreed by the majority of the stakeholders are quite conservative, especially relative to other jurisdictions with similar approaches, such as California. For example, the proposed MA Expedited Review process can take up to 60 days with Supplemental Review, whereas CA Rule 21's corresponding process takes a maximum of 30 days and includes a similar supplemental review.

UTC understands the utilities' lack of experience with the process may have influenced the majority toward the conservative

timelines. UTC supports the timeframes at this juncture in part because of the agreement of the Collaborative members, as stated in the Final Report (Section 6), to on-going periodic review for the purpose of further improving and streamlining the process, and specifically regarding timelines, to “strive to reduce times toward best practices in the industry and meet Customers’ Agreement-Needed Date requested in the application 95% of the time.” Because the timelines are to be revisited in the collaborative review and improvement process, UTC agrees with the majority on the initial timelines presented in the Tariff.

Issue II.

Applicability to Qualifying Facilities: The cover letter accompanying the Report filed on March 3, 2003 provided: "This report is not intended to replace or change the regulations promulgated under 220 CMR 8.00." Despite that, there remains disagreement within the Collaborative as to the consistency and to the inter-relationship between this proposed tariff and the existing regulations in 220 CMR 8.04 (e.g. timelines and fees).

Comment: Existing regulations for Qualifying Facilities (QFs) appear to require a maximum of 90 days for interconnection approval, a much shorter time frame for interconnection than the timelines agreed to by the majority of the Collaborative stakeholders. Further, several utilities have adopted identical or similar language to that of the QF regulation in compliance filings. Thus, the utilities are currently operating under shorter time frames for interconnection approvals for QFs (within 90 days, plus extension on petition to DTE) than the proposed Model Interconnection Tariff. The latter allows up to 230 days for interconnection via the Standard Review Process. Additionally,

the application for QF interconnection does not include an application fee.

UTC concurs with the plain language in the Report cover letter, that the interconnection standards achieved in this process would not replace existing QF regulations. Indeed, such a result would be a step backward. The DTE should clarify the applicability of the standards and processes derived from this Collaborative initiative relative to the existing regulations promulgated under 220 CMR 8.00.

Issue III.

Supercedence: The Collaborative was unable to reach agreement on what document controls in circumstances where an existing Interconnection Agreement is in conflict with the requirements of the Interconnection Tariff due to changes in the Tariff that occurred after the Interconnection Agreement was executed. (i.e. a "grandfathering" provision).

COMMENT: Every DG project must assure personnel safety and maintain system reliability when operating interconnected to the utility grid. Once approved, installed, and commissioned, existing DG installations should be grandfathered against subsequent rule changes, unless the DTE affirmatively finds at the time of the revision that the change is necessary to protect personal safety or system reliability. Accordingly, we believe interconnection agreements should be grandfathered unless the DTE concludes that subsequent rule changes warrant retroactive application for safety or liability reasons. Ongoing uncertainty and the potential for costly changes to interconnection equipment is a barrier to DG deployment.

Issue IV.

Cost Allocation and Adjustment Procedures: The Collaborative was unable to reach agreement on the allocation of certain costs and on the adjustment of costs provided in the Interconnection Services and/or Study Agreements. Specifically, the Collaborative did not agree to appropriate allocation of utility costs for studies or upgrades where benefits may accrue to other utility customers. In addition, the Collaborative did not agree whether the utilities should be required to provide a fixed price or a "not-to-exceed" cost for system modifications and system studies and who should bear the excess cost when actual costs exceed those provided in the Agreements.

COMMENT: With respect to cost allocation, UTC suggests the DG customer should pay only a determinable share of system upgrade costs when other customers will substantially benefit from the utility system modifications, such as improved service reliability or increased system capacity. To the extent the system modifications provide other customers enhanced electric service whether in quantity or quality, the DG customer should not bear the full cost of the modifications. Likewise, where the DG customer has borne the full burden of the modifications and those system modifications permit the utility to expand its customer base in the future, a portion of the modification costs should be recoverable by the DG customer.

This cost allocation issue includes study costs. In some cases, utilities will need to complete an existing system study before they can assess the impact of the proposed DG project on the system. It is, of course, the utility's responsibility to understand its distribution system. The DG customer should not have to pay for that portion of the study.

The cost estimate issue is central to the purpose of the collaborative, namely, to provide DG customers certainty with regard to

interconnection time and cost. For projects requiring utility system modifications, the utilities suggest that costs for the modifications as provided by the utility at the time of executing an interconnection agreement are, at best, estimates. The estimates are to be "trued up" at the completion of the modification, with the DG customer having full responsibility for any overages, for whatever reason. In such a case, the DG customer will have significant uncertainty. While there may be reasons for cost overruns to be passed onto the DG customer in some instances (for example, those involving circumstances beyond any party's reasonable control and knowledge; e.g., weather, unknown underground conditions), the DG customer should not be liable for all cost overruns, for whatever reason. In no case should the DG customer be responsible for a cost overrun that the utility reasonably could have avoided or that was under the utility's control.